



Penn Treaty Network America Insurance Company

(PTNA Life Insurance Company in CA)

Herbert E. Schwartz
7329 NE 18th Street
Medina, WA 98039

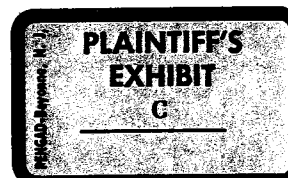
Neal A. Forman
4523 102nd Lane NE
Kirkland, WA 98033

August 21, 2000

Dear Herb and Neal:

Pursuant to our numerous conversations and the discussions we have had with DDS and our counsel, I have drafted this letter to confirm, in writing, the agreements we have recently reached regarding modifying the terms and provisions of the current contract between Penn Treaty and National Healthcare Services. If the modified terms meet with your approval, please indicate your consent by signing below. The modified terms are as follows:

1. A new contract shall be entered into between Senior Financial Consultants Company ("SFCC"), a wholly owned subsidiary of Penn Treaty American Corporation ("PTAC"), and NHCS, and once that contract is executed the AllRisk program shall no longer be offered through PTNA.
2. The contract between SFCC and NHCS shall be identical (except for the substitution of SFCC for PTNA) in terms and language to the contract dated October 21, 1999 between PTNA and NHCS, as amended by the first eight numbered paragraphs of the June 8, 2000 letter of modification, with the following exceptions:
 - A. The parties' shall use their best efforts to promote, market and distribute the AllRisk program. The parties further agree that neither party shall unreasonably delay the marketing of the AllRisk program in each state where the marketing of the program is not prohibited or regulated. As to any state(s) where the marketing of the AllRisk program is prohibited or regulated, the parties shall use their best efforts to commence marketing of the All Risk program as soon as reasonably possible after the lifting on any such prohibition or regulation.
 - B. SFCC agrees that it shall use its best efforts to become licensed to do business in each and every state as soon as possible.



3. Simultaneous with the execution of the new contract between SFCC and NHCS, Penn Treaty American Corporation shall fully guarantee to NHCS, without reservation or exception, SFCC's performance and payments under the contract between SFCC and NHCS.
4. Draft agreements between PTNA and HSI to effectuate paragraphs 3 and 6 of the June 8, 2000 letter shall be redrafted to be between SFCC and HSI.
5. New brochures and other related printed materials shall be developed and reprinted to reflect the changes set forth in this letter. Specifically, AllRisk printed materials shall bear the name of "Senior Financial Consultants Company, a subsidiary of Penn Treaty America Corporation" instead of PTNA. The new materials shall be approved by both parties prior to release to the marketplace, and such approval shall not be unreasonably withheld or delayed.
6. PTNA agrees to furnish a letter of endorsement of the All Risk program, which will be used in the marketing of the AllRisk program to all PTNA agents and other prospective producers.
7. SFCC will draft new commission agreements to be sent to all representatives who will be selling memberships to the AllRisk program. The commission level shall not be changed. The new commission agreements shall be approved by both parties prior to release in the marketplace and such approval shall not be unreasonably withheld or delayed.

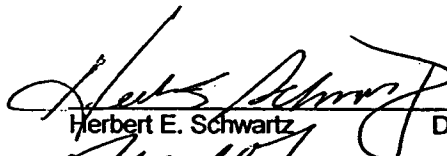
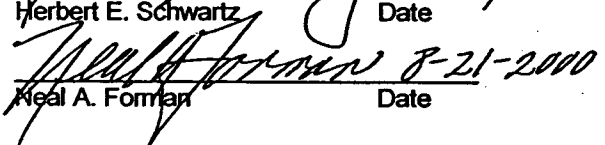
If you are in agreement with the above and intend to be legally bound thereby, please execute this letter where indicated below. I would ask that Herb execute the letter and then forward the original to Neal for his signature.

Very truly yours,

PENN TREASY NETWORK AMERICA INSURANCE COMPANY


Glen A. Levit
President

ACCEPTED AND AGREED TO:


Herbert E. Schwartz Date 8/21/2000

Neal A. Forman Date 8-21-2000

GAL/jmb